

MEMORANDUM

To: Mayor and City Council Members
Douglas Faseler, City Manager

From: David Rabago, P.E., CFM, Utility Engineer

Through: Rick Cortes, Assistant City Manager

Subject: Springs Hill Wastewater Treatment Plant Purchase

Date: October 13, 2016

For several months, City staff has been discussing the feasibility of purchasing the Guadalupe-Blanco River Authority's (GBRA) "Springs Hill" Wastewater Treatment Plant (WWTP), and directing the wastewater currently treated at the plant, to the City's Walnut Branch WWTP. Presently, all wastewater generated south of the Guadalupe River is transported through the City's sewer collection system and discharges into the "Springs Hill" WWTP. The plant which was constructed in 1972 is located on County Road 400A (Pecan Orchard), approximately 0.30 miles east of SH. 123 Business (Austin Street). In 2004, the City purchased the sanitary sewer collection system from GBRA. However, GBRA retained ownership of the plant. The City currently pays GBRA to treat the wastewater; the term of this agreement is effective through September 30, 2044.

City staff considered several scenarios regarding the operation of the WWTP ranging from maintain the current arrangement with GBRA, purchasing and city staff operating the WWTP, to redirecting the wastewater flows to the City's Walnut Branch WWTP. After careful review and consideration, staff reached the conclusion that the most viable option is to purchase the plant and keep it operational for approximately two years. During this time, the City will design and construct a new lift station that will intercept the wastewater upstream of the plant and pump it to the City's Walnut Branch WWTP. Once the wastewater is redirected, the Springs Hill WWTP will be abandoned.

Staff recommends financing the purchase of the WWTP, construction of the lift station, and associated project costs through the already planned issuance of Utility Revenue Bonds scheduled in 2017. To complete the purchase prior to receiving the bond proceeds, funds from the Hydro Rights Subordination Fund will be utilized and a reimbursement agreement to reimburse the Subordination Fund will be required.

Please note that the anticipated debt service payments for the needed \$3,438,000 are projected to be approximately the same as the current annual payment (\$300,000) to GBRA for wastewater treatment services.

The Opinion of Probable Construction Cost for this option is as follows:

Plant Purchase Cost (negotiated):	\$1,035,000
GBRA Labor Costs	\$ 70,000
Plant Abandonment/Closure:	\$ 484,410
Lift Station to Pump to Walnut Branch WWTP:	\$1,707,676
<u>Plant Operation and Maintenance (2 years):</u>	<u>\$ 140,000</u>
Total:	\$3,437,086

Please see attached Opinion of Probable Construction Costs prepared by TRC, which includes detailed cost breakdowns.

Staff will be available to answer any questions at the Tuesday, October 18, 2016 City Council Meeting.